

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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E.O. 11652: N/A
TAGS: ECON, EGEN, PN
SUBJECT: COMMENTS BY A PANAMANIAN OFFICIAL ON FUTURE OF PANAMANIAN
ECONOMY IF CANAL TREATIES NOT PASSED

1. AN ACCOUNTING OFFICIAL OF THE COMPTROLLER'S OFFICE PAINTS
A RATHER BLEAK PICTURE FOR THE FUTURE OF THE PANAMANIAN ECONOMY
IF THE CANAL TREATIES ARE NOT PASSED, OR IF PASSAGE IS PROLONGED
AND THE TREATIES ARE NOT IMPLEMENTED SOON. HE FORESEES MANY
OF THE BANKS OF THE INTERNATIONAL BANKING COMMUNITY CLOSING DOWN
THEIR BRANCH OFFICES IN PANAMA AND RELOCATING TO SOME OTHER
CENTRAL AMERICAN COUNTRY, SUCH AS COSTA RICA. THE BANKS WILL
RESORT TO SUCH ACTION AS THEY BEGIN TO REALIZE THAT THE PANA-
MANIAN ECONOMY IS NOT GROWING, THAT THERE ARE NOT SUFFICIENT
FUNDS IN CIRCULATION, AND THAT LOANS MADE BY THE BANKS
CANNOT BE REPAYED. THE DECISION OF THE BANKS WILL ALSO BE IN-
FLUENCED BY THE CONDITION OF CERTAIN OTHER PANAMANIAN INDUSTRIES,
SUCH AS THE CONSTRUCTION INDUSTRY, WHICH HAS SUFFERED A SIGNI-
FICANT DOWNTURN IN ACTIVITY OVER THE LAST TWO YEARS.

2. THIS OFFICIAL WENT ON TO STATE THAT THERE ARE A
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NUMBER OF BUSINESSES IN PANAMA THAT JUST BARELY MANAGE TO
REMAIN IN OPERATION, AND ONLY DO SO IN EXPECTATION OF THE
BENEFITS AND ECONOMIC UPLIFT THAT WILL EMANATE FROM IMPLE-
MENTATION OF THE CANAL TREATIES. SHOULD THE TREATY ISSUE
BE PROLONGED, SUCH BUSINESSES WILL NOT BE ABLE TO RESIST
EXISTING ECONOMIC PRESSURES AND WILL BE FORCED TO
GO OUT OF BUSINESS, HE SAID.

3. COMMENT: ALTHOUGH THIS VIEW WAS EXPRESSED BY A KNOWLEDGEABLE GOP OFFICIAL, IT WOULD APPEAR TO DEPICT ONLY THE MOST EXTREME OF THE MANY POSSIBLE CIRCUMSTANCES THAT MAY RESULT FROM DEFEAT OF THE CANAL TREATIES. FROM A BUSINESS STANDPOINT, MOST MEMBER BANKS OF THE PANAMANIAN INTERNATIONAL BANKING COMMUNITY ARE NOT ALL THAT CONCERNED WITH PANAMA'S INTERNAL FINANCIAL SITUATION, SINCE THE BULK OF THEIR TRANSACTIONS ARE CONDUCTED OFFSHORE. PANAMA'S PRIMARY ATTRACTION FOR ESTABLISHMENT OF BRANCH BANKS, ASIDE FROM ITS GEOGRAPHIC LOCATION AND DOLLAR CURRENCY, IS ITS LIBERAL BANKING CODE, AND OF COURSE OFFSHORE ACTIVITIES ARE NOT DIRECTLY AFFECTED BY DOMESTIC ECONOMIC CONDITIONS. PASSAGE OF THE CANAL TREATIES WILL UNDOUBTEDLY BE ACCOMPANIED BY AN INCREASE IN LOCAL INVESTMENT BUT WILL CERTAINLY NOT RESULT IN A PANACEA FOR ALL OF PANAMA'S ECONOMIC ILLS. JORDEN

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